

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|--|--------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name CHARTER TOWNSHIP OF IRONWOOD | County GOGEBIC |
| Audit Date 12/31/04 | Opinion Date 6/20/05 | Date Accountant Report Submitted to State: 7/6/05 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

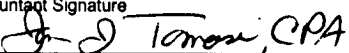
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | | | ✓ |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|-------------------------|-----------------------|---------------------|
| Certified Public Accountant (Firm Name) JON J. TOMASI, CPA | | | |
| Street Address 208 BIRCH STREET | City BERGLAND | State MI | ZIP 49910 |
| Accountant Signature  | | Date 7/6/05 | |

CHARTER TOWNSHIP OF IRONWOOD
IRONWOOD, MICHIGAN
GOGEBIC COUNTY
FINANCIAL REPORT
With Supplemental Information
Prepared in Accordance with GASB 34

December 31, 2004

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Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Charter Township of Ironwood
Ironwood, Michigan

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Ironwood, Michigan, as of and for the year ended December 31, 2004 which collectively comprise the Township's basic financial statements as listed in the table of contents. These general purpose financial statements are the responsibility of the township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Charter Township of Ironwood, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

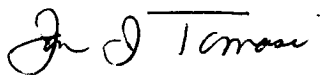
In accordance with *Government Auditing Standards*, I have also issued my report dated June 20, 2005, on my consideration of the Charter Township of Ironwood's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

As described in Note A, the township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis- for State and Local Governments*. As of December 31, 2004.

The administration's discussion and analysis and budgetary comparison information (identified in the Table of Contents) are not a required part of the basic financial statements, but are supplementary information required by *Government Accounting Standards Board* and by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Ironwood, Michigan's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountant
Bergland, Michigan
June 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS
CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2004

Management's Discussion and Analysis

This section of the Charter Township of Ironwood's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended December 31, 2004. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2004. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. These are new statements that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains four governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund (considered a major fund) and the township improvement, special grants, perpetual care and receiving funds which are non-major governmental funds.

Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplementary Information" section of this report.

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Fund is presented in both the government-wide financial

MANAGEMENT'S DISCUSSION AND ANALYSIS
CHARTER TOWNSHIP OF IRONWOOD

statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund and Trust and Agency Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets

The following table shows the December 31, 2004, condensed statement of net assets with a detailed analysis of the statement below.

| | Primary Government | | |
|-----------------------|-----------------------------------|------------------------------------|----------------|
| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and other assets | 743,487 | 492,030 | 1,235,517 |
| Capital Assets, net | <u>526,054</u> | <u>310,336</u> | <u>836,390</u> |
| Total Current Assets | \$ 1,269,541 | 802,366 | 2,071,907 |
| LIABILITIES | | | |
| Long-term Liabilities | | | |
| Other Liabilities | <u>313,778</u> | <u>143,614</u> | <u>457,392</u> |
| Total Liabilities | 313,778 | 143,614 | 457,392 |

MANAGEMENT'S DISCUSSION AND ANALYSIS
CHARTER TOWNSHIP OF IRONWOOD

NET ASSETS

| | | | |
|------------------------------|----------------|----------------|----------------|
| Investment in capital assets | | | |
| Net of related debt | 526,054 | 310,336 | 836,390 |
| Restricted | 154,355 | | 154,355 |
| Unrestricted | <u>275,354</u> | <u>348,416</u> | <u>623,770</u> |
| Total Net Assets | \$955,763 | \$658,752 | \$1,614,515 |

For governmental activities, net assets decreased by \$29,685 during the calendar year. For business-type activities, net assets decreased by \$154,291 during the year.

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the year ended December 31, 2004.

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|-----------------------------------|-----------------------------------|------------------------------------|------------------|
| Revenue: | | | |
| Program Revenue: | 1,980 | | 1,980 |
| Charges for services | 161,191 | 165,852 | 327,043 |
| General Revenue: | | | |
| Property taxes | 238,125 | | 238,125 |
| Other Income | 64,828 | | 64,828 |
| Unrestricted Grants | <u>170,206</u> | | <u>170,206</u> |
| Total Revenue | 636,330 | 165,852 | 802,182 |
| Expenses: | | | |
| General Government | 431,685 | | 431,685 |
| Public Safety | 36,989 | | 36,989 |
| Public Works | 37,634 | | 37,634 |
| Health and Welfare | 143,082 | | 143,082 |
| Recreation and Culture | <u>16,625</u> | | <u>16,625</u> |
| Total Expenses | 666,015 | | 666,015 |
| Business-Type Activities | | 320,143 | 320,143 |
| Water and Sewer | | | |
| Total Expenses | | | |
| Increase (Decrease) in Net Assets | (29,685) | (154,291) | (183,976) |
| Net Assets Beginning of Year | <u>985,448</u> | <u>813,043</u> | <u>1,798,491</u> |
| Net Assets, End of Year | \$955,763 | \$658,752 | \$1,614,515 |

MANAGEMENT'S DISCUSSION AND ANALYSIS
CHARTER TOWNSHIP OF IRONWOOD

Governmental Activities

Property taxes and other tax revenues comprise \$238,125 or approximately 37 percent of total governmental revenues. The township also collected \$161,191 for services provided. And, at year end the Township reported \$170,206 in grants not restricted for specific purposes. This amount was due to revenue sharing from State of Michigan and comprises 27% of total governmental revenues.

The Township expended \$666,015 on governmental programs and services. Some of the largest expense categories were for general government where \$431,685 or 65% of total governmental expenditures were reported. Health and Welfare expenditures amounted to 21% of the total governmental expenditures.

Business-Type Activities

Business-Type activities decreased the Township's net assets by \$154,291. Charges for services for water and sewer activities for the year were \$165,852 and expenditures amounted to \$320,143. Some of the reasons for this decrease was a loss from operations from the Gogebic Range Wastewater Authority of \$52,501. Also, legal action with the City of Ironwood over water issues resulted in legal expenses of \$17,189 and a past due water amount of \$36,000 that had to be paid. Also, it will be necessary to adjust rates, which will take place during 2005.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental funds reported combined ending fund balances of \$435,015 of which \$154,355 is reserved and the remaining \$280,660 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the year with revenue 6% greater than the budget and expenditures 4% less than the budgeted amount. Significant negative expenditure variances were recorded for general government and capital outlay.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CHARTER TOWNSHIP OF IRONWOOD

Unrestricted net assets of the Water and Sewer Fund at year-end were \$343,885, \$648,970 of the Water and Sewer Fund equity was invested in capital assets, and \$4,531 was held on restricted accounts.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of December 31, 2004 was \$836,390.

Major capital events during the current fiscal year included the purchase of a used tanker truck for the fire department at a cost of \$61,250.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Charter Township of Ironwood
N10892 Lake Road
Ironwood, MI 49938

CHARTER TOWNSHIP OF IRONWOOD

STATEMENT OF NET ASSETS
For the year ended December 31, 2004

| | Primary Government Governmental Activities | Business-Type Activities | Total |
|---|--|-----------------------------|--------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$283,423 | \$57,348 | \$340,771 |
| Investments | | | |
| Receivables (Net) | 408,371 | 91,517 | 499,888 |
| Due from Other Funds | 51,693 | | 51,693 |
| Inventories | | | |
| TOTAL CURRENT ASSETS | 743,487 | 148,865 | 892,352 |
| NON-CURRENT ASSETS | | | |
| Investments in Waste Water Authority | | 338,634 | 338,634 |
| Cash Reserves | | 4,531 | 4,531 |
| Capital Assets--Net | 526,054 | 310,336 | 836,390 |
| TOTAL NON-CURRENT ASSETS | 526,054 | 653,501 | 1,179,555 |
| TOTAL ASSETS | 1,269,541 | 802,366 | 2,071,907 |
| LIABILITIES | | | |
| Accounts Payable | 9,644 | 29,292 | 38,936 |
| Accrued Other Liabilities | 12,538 | 4,079 | 16,617 |
| Due to Other Funds | | 51,693 | 51,693 |
| Deferred Revenue | 291,596 | 58,550 | 350,146 |
| TOTAL LIABILITIES | 313,778 | 143,614 | 457,392 |
| NET ASSETS | | | |
| Invested in Capital Assets--Net of Related Debt | 526,054 | 310,336 | 836,390 |
| Restricted for Equipment | 24,657 | | 24,657 |
| Restricted for Capital Improvements | 4,500 | | 4,500 |
| Restricted for Park Development | 62,559 | | 62,559 |
| Restricted for Landfill Closure | 62,639 | | 62,639 |
| Unrestricted | 275,354 | 348,416 | 623,770 |
| TOTAL NET ASSETS | \$955,763 | \$658,752 | \$1,614,515 |

The notes to financial statements are an integral part of these statements

CHARTER TOWNSHIP OF IRONWOOD
STATEMENT OF ACTIVITIES
For the year ended December 31, 2004

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Functions/Programs | | | | | | | |
| Primary Government | | | | | | | |
| General Government | \$431,685 | \$10,889 | | | (420,796) | | (420,796) |
| Public Safety | 36,989 | | | | (35,009) | | (35,009) |
| Public Works | 37,634 | | 1,980 | | (37,634) | | (37,634) |
| Health and Welfare | 143,082 | 150,302 | | | 7,220 | | 7,220 |
| Community and Economic Development | | | | | | | |
| Recreation and Culture | 16,625 | | | | (16,625) | | (16,625) |
| Interest on Long-Term Debt | | | | | | | |
| Total Governmental Activities | 666,015 | 161,191 | 1,980 | | (502,844) | | (502,844) |
| Business-Type Activities | | | | | | | |
| Water and Sewer | 320,143 | 165,852 | | | | (154,291) | (154,291) |
| Total Primary Government | 986,158 | 327,043 | 1,980 | | (502,844) | (154,291) | (657,135) |
| General Revenues | | | | | | | |
| Property Taxes | | | | | 238,125 | | 238,125 |
| State-Shared Revenues | | | | | 170,206 | | 170,206 |
| Unrestricted Investment Earnings | | | | | 5,354 | | 5,354 |
| Franchise Fees | | | | | 59,474 | | 59,474 |
| Total General Revenues | | | | | 473,159 | | 473,159 |
| Change in Net Assets | | | | | (29,685) | (154,291) | (183,976) |
| Net Assets--Beginning | | | | | 985,448 | 813,043 | 1,798,491 |
| Net Assets--Ending | | | | | \$955,763 | \$658,752 | \$1,614,515 |

Notes to Financial Statements are an integral part of this statement

CHARTER TOWNSHIP OF IRONWOOD
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2004

| | General Fund | Non-Major Governmental Funds | Totals Governmental Funds |
|---|------------------|------------------------------------|---------------------------------|
| ASSETS | | | |
| Cash and Equivalents | \$205,332 | \$78,091 | \$283,423 |
| Investments | | | |
| Receivables--Net | 269,901 | 220 | 270,121 |
| Due from Other Funds | 189,943 | 630 | 190,573 |
| Receivable from Other Governments | | | |
| Inventories | | | |
| TOTAL ASSETS | 665,176 | 78,941 | 744,117 |
| LIABILITIES | | | |
| Accounts payable | 16,876 | | 16,876 |
| Due to Other Funds | 630 | | 630 |
| Payable to Other Governments | | | |
| Deferred Revenue | 286,596 | 5,000 | 291,596 |
| TOTAL LIABILITIES | 304,102 | 5,000 | 309,102 |
| FUND BALANCES | | | |
| Reserved for | | | |
| Fire Equipment | 24,657 | | 24,657 |
| Capital Improvements | 4,500 | | 4,500 |
| Park Development | 62,559 | | 62,559 |
| Landfill Closure | 62,639 | | 62,639 |
| Debt Service | | | |
| Unreserved | 206,719 | 73,941 | 280,660 |
| TOTAL FUND BALANCE | 361,074 | 73,941 | 435,015 |
| TOTAL LIABILITIES AND FUND BALANCE | \$665,176 | \$78,941 | \$744,117 |

The notes to the Financial Statements are an integral part of this report

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2004

| | |
|--|-------------------------|
| Total Fund Balances for Governmental Funds | \$435,015 |
| <i>Amounts reported for governmental activities in this statement of net assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 526,054 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (5,306) |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>\$955,763</u></u> |

The notes to the Financial Statements are an integral part of this report

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended December 31, 2004

| | General Fund | Non Major Governmental Funds | Totals Governmental Funds |
|----------------------------------|-----------------|------------------------------------|---------------------------------|
| REVENUES | | | |
| Taxes | \$238,125 | | \$238,125 |
| Licenses and permits | 6,839 | | 6,839 |
| State grants | 182,507 | | 182,507 |
| Charges for services | 156,260 | 450 | 156,710 |
| Interest and rentals | 6,974 | \$392 | 7,366 |
| Other | 45,277 | | 45,277 |
| TOTAL REVENUES | 635,982 | 842 | 636,824 |
| EXPENDITURES | | | |
| Legislative | 71,007 | | 71,007 |
| General government | 337,603 | | 337,603 |
| Public safety | 33,319 | | 33,319 |
| Public works | 37,634 | | 37,634 |
| Health and welfare | 143,082 | | 143,082 |
| Culture and recreation | 14,939 | | 14,939 |
| Capital outlay | 61,250 | | 61,250 |
| Contingency | | | |
| Debt service | | | |
| Miscellaneous | | 348 | 348 |
| TOTAL EXPENDITURES | 698,834 | 348 | 699,182 |
| EXCESS OF REVENUE (EXPENDITURES) | (62,852) | 494 | (62,358) |
| OTHER FINANCING SOURCES (USES) | | | |
| CHANGE IN FUND BALANCE | (62,852) | 494 | (62,358) |
| FUND BALANCE JANUARY 1, 2004 | 423,926 | 73,447 | 497,373 |
| FUND BALANCE DECEMBER 31, 2004 | 361,074 | 73,941 | 435,015 |

The notes to Financial Statements are an integral part of this statement

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Calendar Year Ended December 31, 2004

| | |
|---|------------|
| Net Change in Fund Balance-Total Governmental Funds | (\$62,358) |
|---|------------|

*Amounts reported for governmental activities in this statement
of net assets are different because:*

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of these assets is allocated over
their estimated useful lives as depreciation expense. This is the amount by
which capital outlays exceed depreciation in the current period.

| | | |
|----------------------|----------|--------|
| Capital Outlays | 61,250 | |
| Depreciation Expense | (22,777) | |
| Other | (494) | 37,979 |

| | |
|---|---------|
| Some expenses reported in the statement of activities such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | (5,306) |
|---|---------|

| | |
|---|--------------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>(\$29,685)</u></u> |
|---|--------------------------|

The notes to the Financial Statements are an integral part of this report

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2004

| | Business-Type Activities Enterprise Funds |
|--|--|
| | Water and Sewer Fund |
| <hr/> | |
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$57,348 |
| Cash and cash equivalents-restricted | 4,531 |
| Accounts receivable, net | 26,483 |
| Due from other funds | 65,034 |
| | <hr/> |
| TOTAL CURRENT ASSETS | 153,396 |
| Non-current Assets: | |
| Investment in Sewer Authority | 338,634 |
| Land | 11,058 |
| Building and Structures | 7,500 |
| Utility Plant in Service | 342,364 |
| Equipment | 119,945 |
| Construction in Progress | 99,131 |
| Accumulated Depreciation | (269,662) |
| | <hr/> |
| TOTAL NON-CURRENT ASSETS | 648,970 |
| TOTAL ASSETS | <hr/> 802,366 <hr/> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | 29,292 |
| Due to other Funds | 51,693 |
| Security Deposits | 4,079 |
| Deferred Revenue | 58,550 |
| | <hr/> |
| TOTAL CURRENT LIABILITIES | 143,614 |
| NET ASSETS: | |
| Invested in capital assets net of related debt | 310,336 |
| Restricted-debt service | 4,531 |
| Unrestricted | 343,885 |
| | <hr/> |
| TOTAL NET ASSETS | 658,752 |

CHARTER TOWNSHIP OF IRONWOOD

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS For the fiscal year ended December 31, 2004

| | Business-Type Activities |
|--|--------------------------|
| | Enterprise Funds |
| | Water and Sewer Fund |
| OPERATING REVENUES | \$211,923 |
| Charges for services (net) | 3,721 |
| Other operating revenue | 215,644 |
| TOTAL OPERATING REVENUES | |
| OPERATING EXPENSES | 289,750 |
| Operating expenses | 20,979 |
| Depreciation | 310,729 |
| TOTAL OPERATING EXPENSES | |
| OPERATING INCOME (LOSS) | (95,085) |
| NON-OPERATING REVENUES (EXPENSES) | 2,709 |
| Investment income | (52,501) |
| Gain (loss) on investment in wastewater treatment facility | (9,414) |
| Debt service | (59,206) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | |
| INCOME (LOSS) BEFORE TRANSFERS | (154,291) |
| CHANGE IN NET ASSETS | (154,291) |
| Net assets, beginning of year | 813,043 |
| NET ASSETS, END OF YEAR | \$658,752 |

The notes to financial statements are an integral part of these statements

CHARTER TOWNSHIP OF IRONWOOD
 PROPRIETARY FUNDS
 COMBINED STATEMENT OF CASH FLOWS
 For the year ended December 31, 2004

| | Water and Sewer Fund |
|--|----------------------------|
| Cash flows from operating activities | |
| Net income for the year | (\$154,291) |
| Adjustment to reconcile net income to net cash provided by operating activities | |
| Depreciation | 20,979 |
| Changes in current assets and current liabilities | |
| Accounts receivable | 5,189 |
| Due from other funds | (12,949) |
| Other Assets-Reserves | (2,726) |
| Accounts payable | (1,822) |
| Customer deposits | 1 |
| Due to other funds | 30,856 |
| Deferred Revenue | 8,120 |
| Interest on Investments | (2,709) |
| Net cash provided by operations | (109,352) |
| Cash flows used for capital and related financing activities | |
| Investment in sewer authority | 52,500 |
| Fixed asset additions | |
| Construction in Progress | 216,036 |
| Debt Retirement | (220,000) |
| Net cash (used for) capital and related financing activities | 48,536 |
| Cash flows from investing activities | |
| Interest on Investments | 2,709 |
| Net increase in cash | (58,107) |
| Cash at January 1, 2004 | 115,455 |
| Cash at December 31, 2004 | \$57,348 |

The notes to financial statements are an integral part of these statements.

CHARTER TOWNSHIP OF IRONWOOD
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2004

| | Agency Funds |
|---------------------------|-------------------------|
| <hr/> | |
| ASSETS | |
| Cash and cash equivalents | \$231,087 |
| Due from other funds | |
| | <hr/> |
| TOTAL ASSETS | <u><u>\$231,087</u></u> |
| | |
| LIABILITIES | |
| Due to other funds | \$203,283 |
| Due to others | 27,804 |
| | <hr/> |
| TOTAL LIABILITIES | <u><u>\$231,087</u></u> |

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

(A) Reporting Entity

Since November of 1978, the Township of Ironwood has operated as a charter township under P.A. 359 of 1947 as amended. The governing board is composed of seven elected members, which include the supervisor, treasurer, and clerk. The Charter Township provides its residents services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning and general administrative services. The accompanying financial statements present the government and its component units for which the government is considered to be financially accountable.

(B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a2222

particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable-Property Taxes

The Charter Township of Ironwood's property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31st .

Although the Local Governmental Unit 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Local Governmental Units policy to recognize revenue from the current tax levy in the subsequent year or the current year

when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the Local Governmental Unit totaled \$54,575,563 on which ad valorem taxes levied consisted of 4.39410 mills for the Local Governmental Unit operating purposes. The amounts are recognized in the General Fund.

The government reports the following major Governmental Fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses

generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(D) Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets-The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the

current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

| | |
|-----------------------|----------------|
| Buildings | 40 to 60 years |
| Building Improvements | 25 years |
| Water and Sewer Lines | 50 to 75 years |
| Vehicles | 8 years |
| Office Equipment | 5 years |
| Computer Equipment | 5 years |

Compensated Absences-The Charter Township has only three employees that can accumulate sick leave. The Charter Township liability for unused sick leave is \$5,306 and is recorded in the government-wide financial statements.

Following is a summary of employment policies related to accumulated absences.

Sick Leave

Full time employees shall earn one paid sick day per month beginning at the start of each year. Sick days may not be accumulated beyond 120 days. Nonunion employees will receive payment for half of sick days accumulated upon retirement, but not to exceed 24 days. Union employees shall receive half of sick time accumulated.

Compensatory Time

Employees may accumulate compensatory time at a rate of time-and-one-half. There will be a maximum of 120 hours compensatory time accumulated each year. All compensatory time must be taken (used) within 120 days. There will be no carryovers.

Vacation Leave

Vacation leave is earned in varying amounts depending upon years of service. All vacation leave must be used within the calendar year.

Fund Equity-In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgeting Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end.

The Supervisor, with the help of the various department heads, prepares the proposed budget for presentation to the Township Board during August and September for the calendar year beginning on January 1. Budget hearings are scheduled in September to obtain taxpayer comments. The Budget is adopted by the Township Board prior to January 1.

The general fund revenues and expenditures are accounted for in accordance with the adopted budget.

Formal budgets are not required for the operations of the propriety fund types but revenues and expenditures are related to budgetary estimates on an informal basis to achieve objectives.

Excess of Expenditures Over Appropriation in Budgeted Funds
In the body of the financial statements, the Charter Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Charter Township of these budgetary funds were adopted to the activity level.

The Charter Township has not complied with all the provisions of P.A. 621 of 1978.

The Act provides that the budget must be amended whenever actual revenues are less than budgeted amounts or expenditures exceed budgeted amounts at the level of the adopted budget. Budget variances of this nature which are material are shown on the following pages.

General Fund Page 35

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Charter Township of Ironwood to deposit and invest in the accounts of Federally insured banks, Credit unions and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States government or federal agency obligations; repurchase agreements; bankers acceptance of

United States banks, commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or it's political subdivisions which are rated as investment grade and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan

The Charter Township of Ironwood has designated three banks for the deposit of funds and allows for investments in any other legal banking institution. The township's investments are in accordance with statutory authority.

The Governmental Accounting Standards Board statement No. 3 risk disclosures for the Township's cash deposits are as follows:

| | Carrying Amount | Bank Balance | Fund |
|------------------|--------------------|-----------------|-----------|
| Insured FDIC | \$300,000 | 300,000 | All Funds |
| Uninsured | | | |
| Collateralized | | | All Funds |
| Uncollateralized | <u>271,858</u> | <u>296,213</u> | All Funds |
| | \$571,858 | \$596,213 | |

NOTE 4-RECEIVABLES

Accounts receivable and related allowances for uncollectibles are as follows:

| | Receivable | Allowance | Net |
|---------------------|------------|-----------|-----------|
| General Fund | \$ 29,048 | \$ 0 | \$ 29,048 |
| | ===== | ===== | ===== |
| Water & Sewer Fund | \$ 26,483 | \$ 0 | \$ 26,483 |
| | ===== | ===== | ===== |
| Perpetual Care Fund | \$ 220 | \$ 0 | \$ 220 |
| | ===== | ===== | ===== |

Special assessments and related allowances for uncollectibles are as follows:

| | Receivable | Allowance | Net |
|---------------|---------------|-----------|---------------|
| General Fund | | | |
| Street Lights | \$ 682 | \$ 0 | \$ 682 |
| Garbage | <u>58,365</u> | <u>0</u> | <u>58,365</u> |
| | \$59,047 | \$ 0 | \$59,047 |
| | ===== | ===== | ===== |

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|--------------------|------------------|
| Delinquent Property Taxes | \$181,806 | \$79,773 |
| Special Assessments | | 25,017 |
| Grant Amount Prior to Meeting Requirements | | 5,000 |
| Total | <u>\$181,806</u> | <u>\$109,790</u> |

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | \$ 225,953 |
| Land | \$225,953 | | | |
| Construction in Progress | | | | 225,953 |
| Subtotal | <u>225,953</u> | | | <u>225,953</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings | 181,910 | | | 181,910 |
| Improvements Other Than Buildings | 33,713 | | | 33,713 |
| Machinery & Equipment | 284,129 | 61,250 | | 345,379 |
| Infrastructure | | | | |
| Subtotal | <u>499,752</u> | <u>61,250</u> | | <u>561,002</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings | (68,209) | (7,276) | | (75,485) |
| Improvements Other Than Buildings | (23,599) | (1,686) | | (25,285) |
| Machinery & Equipment | (146,316) | (13,815) | | (160,131) |
| Infrastructure | | | | |
| Subtotal | <u>(238,124)</u> | <u>(22,777)</u> | | <u>(260,901)</u> |
| Net Capital Assets Being Depreciated | <u>261,628</u> | <u>38,473</u> | | <u>300,101</u> |
| Governmental Activities Capital Total | | | | |
| Capital Assets-Net of Depreciation | <u>\$487,581</u> | <u>\$38,773</u> | | <u>\$526,054</u> |
| Business-Type Activities | | | | |
| Capital Assets Not Being Depreciated | | | | \$ 11,058 |
| Land | \$ 11,058 | | | |
| Construction in Progress | 315,167 | 3,964 | 220,000 | 99,131 |
| Subtotal | <u>326,225</u> | <u>3,964</u> | <u>220,000</u> | <u>110,189</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings | 7,500 | | | 7,500 |
| Improvements Other Than Buildings | | | | |
| Machinery & Equipment | 119,945 | | | 119,945 |
| Infrastructure | 342,364 | | | 342,364 |
| Subtotal | <u>469,809</u> | | | <u>469,809</u> |

Less Accumulated Depreciation for

| | | | |
|--------------------------------------|-----------|----------|-----------|
| Buildings | | | |
| Improvements Other Than Buildings | | | |
| Machinery & Equipment | (84,213) | (11,664) | (95,877) |
| Infrastructure | (164,470) | (9,315) | (173,785) |
| Subtotal | (248,683) | (20,979) | (269,662) |
| Net Capital Assets Being Depreciated | 221,126 | (20,979) | 200,147 |

| | | | |
|---------------------------------------|-----------|----------|-----------|
| Governmental Activities Capital Total | | | |
| Capital Assets-Net of Depreciation | \$547,351 | (17,015) | (220,000) |
| | | | \$310,336 |

Depreciation expense was charged to programs of the primary government as follows:

| | |
|--------------------------------|-----------------|
| Governmental Activities | |
| General Government | 17,421 |
| Public Safety | 3,670 |
| Public Works | |
| Economic Development | |
| Recreation and Culture | <u>1,686</u> |
| Total Governmental Activities | <u>\$22,777</u> |
| Business-Type Activities | |
| Water | 12,295 |
| Sewer | <u>8,684</u> |
| Total Business-Type Activities | <u>20,979</u> |

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables are as follows:

| Fund | Interfund Receivable | Fund | Interfund Payable |
|---------------------|-------------------------|-----------------------------|----------------------|
| General Fund | \$189,942 | Current Tax Collection Fund | \$199,083 |
| | | Trust & Agency Fund | 4,200 |
| | | Water & Sewer Fund | 51,693 |
| | | General Fund | 630 |
| Utility Fund | 65,034 | | |
| Perpetual Care Fund | 630 | | |
| | <u>\$255,606</u> | | <u>\$255,606</u> |

NOTE 7 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Charter Township's utility fund is the Water and Sewer Fund, which provides water and sewage services to some residents of the Charter Township.

The requirements for disclosures of operating revenues,

depreciation expense, operating income or loss, operating grants and interfund transfers, tax revenues and net income or loss are met in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance/Retained Earnings - All Proprietary Fund Types and Similar Trust Funds. In addition, the requirement to disclose cash flows is met by the Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds. Requirements for total assets, total long-term debt outstanding, and total equity are met in the Combined Balance Sheet - All Fund Types.

Additional information required is as follows:

| | |
|-------------------------------|--------------------|
| Current capital contributions | None ===== |
| Current Transfers | None ===== |
| Fixed Assets | |
| Additions | None ===== |
| Deletions | None ===== |
| Construction in Process | |
| Additions | \$ 3,964 ===== |
| Deletions | \$220,000 ===== |
| Investment in Sewer Authority | \$338,634 ===== |

NOTE 8- RISK MANAGEMENT

The Charter Township of Ironwood is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, (workers compensation) as well as medical benefits provided to employees. All risks of losses are covered by commercial insurance coverage. There was no reduction in coverage from prior years and there were no settlements of claims which exceeded insurance coverage in any of the past three calendar years.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

The Charter Township of Ironwood has no deferred compensation plan.

The Charter Township of Ironwood's postemployee benefit other

than pensions consist of health insurance payments for former employees who are at least 62 years old and not yet 65 years old and have been employed by the township for at least 10 years. The township's obligation for postemployment health care benefits are expensed as they become due.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Charter Township provides pension benefits for all of its elected officials and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All elected officials and full-time employees over 18 years but less than 76 years of age are eligible to participate. Elected officials are eligible immediately and other employees are eligible after completing six months of service.

The plan requires a contribution of 10% of expected annual compensation. The Charter Township pays 100% of the contributions. Contributions are vested immediately.

The Charter Township covered payroll for the year ended December 31, 2004 was \$193,955. Contributions required to be made to the plan during the year totaled \$19,955 or 10% of covered payroll. Total payroll for the Charter Township for the year was \$202,177.

NOTE 11 - INVESTMENT IN GOGEBIC-IRON WASTEWATER AUTHORITY

The Charter Township of Ironwood and two other municipalities have formed a sewer authority to construct and operate a sewage collections and treatment facility. Each municipality is an owner in common of an undivided interest in the facility. After retirement of revenue bonds (in the year 2025) title to the collection system in each unit will pass to that unit. The Charter Township of Ironwood accounts for its investment using the equity method.

The Gogebic-Iron Wastewater Authority (The Authority) was incorporated on November 22, 1983, to acquire, own, improve, enlarge, extend, and operate a sewage disposal system in accordance with Act 233, Public Acts of Michigan, 1988, as amended. The Authority owns the physical properties, is responsible for the related indebtedness and is responsible for raising monies from the participating units to cover operations on the system. The system is operated by the Gogebic-Iron Wastewater Board (the Board), an independent

joint board comprised of members from each constituent municipality participating in the sewage disposal systems. The Board's source of revenues is a management fee received from the Authority. The Board pays the operating costs.

The incorporating municipalities creating the Authority are City of Ironwood, Township of Erwin, and Charter Township of Ironwood. The Gogebic-Iron Wastewater Board consists of the members of the Authority and City of Hurley, Wisconsin.

Each municipality is an owner in common of an undivided interest in the facilities. This interest will be determined by each unit's capacity share in the facility, which will be determined as the facilities are used.

The governing Boards of the Authority and the Board are made up of one member of each municipalities' governing board. Each municipality chooses its own member. Control of the participating municipalities is limited to the input of its board member.

Below is a summary of the financial statements of the Authority and Board as of June 30, 2004.

| | Authority | Board |
|------------------------|--------------|------------|
| Total Assets | \$17,671,650 | \$ 152,466 |
| | ===== | ===== |
| Total Liabilities | \$ 4,737,867 | \$ 152,466 |
| | ===== | ===== |
| Total Net Assets | 12,933,783 | \$ 0 |
| | ===== | ===== |
| Total Revenues | \$ 1,132,095 | \$ 704,253 |
| | ===== | ===== |
| Total Expenditures | \$ 1,636,912 | \$ 704,253 |
| | ===== | ===== |
| Decrease in Net Assets | \$ 504,817 | \$ 0 |
| | ===== | ===== |

The Charter Township of Ironwood's share of the assets, liabilities and changes in retained earnings cannot be determined at this time.

| | Authority | Board |
|----------------------|-------------|-----------|
| Total Current Debt | \$ 140,000 | \$ 37,135 |
| | ===== | ===== |
| Total Long-term Debt | \$4,705,000 | \$101,035 |
| | ===== | ===== |

This debt is to be repaid by charges to the participating municipalities based on usage of the system.

NOTE 12 - CONSTRUCTION IN PROGRESS

The Charter Township of Ironwood is involved in two construction projects at this time. These projects are detailed as follows:

Powderhorn Area

The Township has formed an authority with Bessemer Township known as the Powderhorn Area Utility District (PAUD). The Authority was formed to address the pollution problems in the Powderhorn area. The project was bid in the fall of 2004. The main transmission line to the Bessemer Area Sewer Authority is 99% completed with the connection at the Bessemer Area Sewer Area plant remaining. It is anticipated that the large commercial users will be on line by fall, allowing the revenue stream to begin. As of June 14th, the project is 20% completed.

Township Water System

This project is part of Phase III of the Gogebic Range Water Authority and is continuing with it's goal to provide the township with its own water system. To date, the Jackson/Luxmore Road line has been installed. Design work has not been completed but work on the project continues.

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

CHARTER TOWNSHIP OF IRONWOOD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended December 31,2004

| | General Fund | | Variance Favorable (Unfavorable) |
|--|--------------|-----------|--|
| | Budget | Actual | |
| REVENUES | | | |
| Taxes | \$213,650 | \$238,125 | \$24,475 |
| Licenses and permits | 7,600 | 6,839 | (761) |
| State grants | 190,000 | 182,507 | (7,493) |
| Charges for services | 164,200 | 156,260 | (7,940) |
| Interest and rentals | 8,300 | 6,974 | (1,326) |
| Other | 16,110 | 45,277 | 29,167 |
| TOTAL REVENUES | 599,860 | 635,982 | 36,122 |
| EXPENDITURES | | | |
| Legislative | 87,254 | 71,007 | 16,247 |
| General government | 318,301 | 337,603 | (19,302) |
| Public safety | 34,948 | 33,319 | 1,629 |
| Public works | 110,500 | 37,634 | 72,866 |
| Health and welfare | 152,200 | 143,082 | 9,118 |
| Culture and recreation | 17,130 | 14,939 | 2,191 |
| Capital outlay | 7,500 | 61,250 | (53,750) |
| Debt service | | | |
| Contingency | | | |
| TOTAL EXPENDITURES | 727,833 | 698,834 | 28,999 |
| EXCESS OF REVENUES (EXPENDITURES) | (127,973) | (62,852) | 65,121 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | | | |
| Transfers to other funds | | | |
| Retirement of debt | | | |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | (127,973) | (62,852) | 65,121 |

BUDGETARY COMPARISON SCHEDULE
Year ended December 31,2004

| | General Fund | | Variance Favorable (Unfavorable) |
|--|--------------|-----------|--|
| | Budget | Actual | |
| FUND BALANCE JANUARY 1, 2004 | \$423,926 | \$423,926 | |
| PRIOR PERIOD ADJUSTMENTS | | | |
| Prior period adjustment for interfund billing | | | |
| Correction to prior period amounts due from other funds | | | |
| FUND BALANCE DECEMBER 31, 2004 | \$295,953 | \$361,074 | \$65,121 |

The notes to financial statements are an integral part of these statements.

OTHER SUPPLEMENTAL
INFORMATION

CHARTER TOWNSHIP OF IRONWOOD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2004

| | Special Revenue Funds | | | | Debt Service | |
|-------------------------------------|---------------------------------|------------------------------|---------------------------|---------------------------|-------------------|---|
| | Township Improvement Fund | Roads and Bridges Fund | Special Grants Fund | Perpetual Care Fund | Receiving Fund | Total Non-Major Governmental Funds |
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$8,970 | | \$65,088 | \$4,033 | | \$78,091 |
| Investments | | | | | | |
| Taxes Receivable | | | | 220 | | 220 |
| Accounts Receivable | | | | | | |
| Due from State of Michigan | | | | | | |
| Due from Other Funds | | | | 630 | | 630 |
| TOTAL ASSETS | 8,970 | | 65,088 | 4,883 | | 78,941 |
| <u>Liabilities and Fund Equity</u> | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | | | | | | |
| Accrued Liabilities | | | | | | |
| Due to State | | | | | | |
| Advances from State | | | | | | |
| Deferred Revenue | | | 5,000 | | | 5,000 |
| TOTAL LIABILITIES | | | 5,000 | | | 5,000 |
| FUND BALANCE | | | | | | |
| Reserved | | | | | | |
| Unreserved | | | | | | |
| Designated | | | | 4,883 | | 4,883 |
| Undesignated | 8,970 | | 60,088 | | | 69,058 |
| TOTAL FUND EQUITY | 8,970 | | 60,088 | 4,883 | | 73,941 |
| TOTAL LIABILITIES AND EQUITY | \$8,970 | | \$65,088 | \$4,883 | | \$78,941 |

The notes to Financial Statements are an integral part of this report

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS

Year ended December 31, 2004

| | Special Revenue Funds | | | | Debt Service | |
|--|---------------------------------|------------------------------|---------------------------|---------------------------|-------------------|---|
| | Township Improvement Fund | Roads and Bridges Fund | Special Grants Fund | Perpetual Care Fund | Receiving Fund | Total Non-Major Governmental Funds |
| REVENUES | | | | | | |
| Taxes and Penalties | | | | | | |
| Charges for services | | | | 450 | | 450 |
| Interest and Rentals | 63 | | 294 | 35 | | 392 |
| Other Revenue | | | | | | |
| TOTAL REVENUES | 63 | | 294 | 485 | | 842 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Judicial | | | | | | |
| General Government | | | | | | |
| Public Safety | | | | | | |
| Recreational and Cultural | | | | | | |
| Other | | 209 | | 10 | 129 | 348 |
| Debt service | | | | | | |
| Capital Outlay | | | | | | |
| TOTAL EXPENDITURES | | 209 | | 10 | 129 | 348 |
| EXCESS OF REVENUE (EXPENDITURES | 63 | (209) | 294 | 475 | (129) | 494 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating Transfers In | | | | | | |
| Operating Transfers (Out) | | | | | | |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) | | | | | | |
| EXPENDITURES AND OTHER USES | 63 | (209) | 294 | 475 | (129) | 494 |
| Fund Balance-January 1,2004 | 8,907 | 209 | 59,794 | 4,408 | 129 | 73,447 |
| Fund Balance-December 31, 2004 | \$8,970 | | \$60,088 | \$4,883 | | \$73,941 |

CHARTER TOWNSHIP OF IRONWOOD
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF REVENUES - BUDGET AND ACTUAL
For the year ended December 31, 2004

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|-----------|-----------|--|
| TAXES | | | |
| Current property taxes | | \$208,971 | |
| Penalties and interest on taxes | | 571 | |
| Payment in lieu of taxes | | 9,629 | |
| Administration fees | | 18,954 | |
| TOTAL TAXES | \$213,650 | 238,125 | \$24,475 |
| LICENSES AND PERMITS | 7,600 | 6,839 | (761) |
| STATE GRANTS | | | |
| State shared revenue | | 170,206 | |
| Other state | | 12,301 | |
| TOTAL STATE GRANTS | 190,000 | 182,507 | (7,493) |
| CHARGES FOR SERVICES | | | |
| School tax collection fees | | 1,783 | |
| Grave openings | | 4,175 | |
| Garbage collection fees | | 150,302 | |
| Other | | | |
| TOTAL CHARGES FOR SERVICES | 164,200 | 156,260 | (7,940) |
| INTEREST AND RENTALS | | | |
| Interest income | | 4,977 | |
| Rentals | | 1,997 | |
| TOTAL INTEREST AND RENTALS | 8,300 | 6,974 | (1,326) |
| OTHER | | | |
| Street light assessment | | 2,842 | |
| Cemetery lot sales | | 1,425 | |
| Miscellaneous | | 10,735 | |
| Stumpage | | 30,275 | |
| TOTAL OTHER | 16,110 | 45,277 | 29,167 |
| TOTAL REVENUES | 599,860 | 635,982 | 36,122 |

CHARTER TOWNSHIP OF IRONWOOD
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
For the year ended December 31, 2004

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|-----------------|-----------------|--|
| LEGISLATIVE | | | |
| Township Board | | | |
| Salaries | | \$13,850 | |
| Wages | | 4,000 | |
| Social security | | 1,384 | |
| Hospitalization | | 27,611 | |
| Life insurance | | 538 | |
| Retirement | | 2,738 | |
| Office supplies | | 2,758 | |
| Contracted services | | 7,213 | |
| Communications | | 2,077 | |
| Transportation | | | |
| Printing and publishing | | 1,903 | |
| Miscellaneous | | 1,411 | |
| Dues and education | | 1,969 | |
| Contributions | | 3,555 | |
| Equipment | | | |
| TOTAL LEGISLATIVE | \$87,254 | \$71,007 | \$16,247 |
| GENERAL GOVERNMENT | | | |
| Supervisor | | | |
| Salary | | 28,667 | |
| Wages | | 3,790 | |
| Social security | | 2,483 | |
| Hospitalization | | 18,854 | |
| Life insurance | | 37 | |
| Retirement | | 3,457 | |
| Office supplies | | 448 | |
| Travel | | | |
| Dues and education | | | |
| Total Supervisor | 54,401 | 57,736 | (3,335) |
| TOTALS FORWARDED | 141,655 | 128,743 | 12,912 |

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

| | Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------|-----------|-----------|--|
| TOTALS BROUGHT FORWARD | \$141,655 | \$128,743 | \$12,912 |
| Elections | | 2,040 | |
| Contracts | | 532 | |
| Office supplies | | 203 | |
| Miscellaneous | | | |
| | 2,500 | 2,775 | (275) |
| Total Elections | | | |
| Assessor | | 6,589 | |
| Salary | | 504 | |
| Social security | | 3,544 | |
| Hospitalization | | | |
| Life insurance | | 683 | |
| Retirement | | 1,120 | |
| Office supplies | | 9,887 | |
| Contracted services | | 198 | |
| Miscellaneous | | | |
| Dues and education | | | |
| Transportation | | | |
| | 16,742 | 22,525 | (5,783) |
| Total Assessor | | | |
| Attorney | | 2,673 | |
| Contracted services | | | |
| | 5,000 | 2,673 | 2,327 |
| Total Attorney | | | |
| TOTALS FORWARDED | 165,897 | 156,716 | 9,181 |

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

| | Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------|-----------|-----------|--|
| TOTALS BROUGHT FORWARD | \$165,897 | \$156,716 | \$9,181 |
| Clerk | | 28,821 | |
| Salary | | 2,605 | |
| Clerical and Deputy salary | | 2,404 | |
| Social security | | 17,779 | |
| Hospitalization | | 15 | |
| Life insurance | | 3,396 | |
| Retirement | | 406 | |
| Office supplies | | | |
| Transportation | | 414 | |
| Miscellaneous | | | |
| Education and dues | | | |
| | 55,429 | 55,840 | (411) |
| Total Clerk | | | |
| Board of Review | | 704 | |
| Wages | | 1,169 | |
| Social security | | 314 | |
| Miscellaneous | | | |
| | 1,355 | 2,187 | (832) |
| Total Board of Review | | | |
| Treasurer | | 28,821 | |
| Salary | | 7,002 | |
| Deputy Salary | | 2,741 | |
| Social security | | 10,490 | |
| Hospitalization | | 12 | |
| Life insurance | | 2,684 | |
| Retirement | | 2,646 | |
| Office supplies | | 400 | |
| Contracted services | | | |
| Transportation | | 542 | |
| Bonds and insurance | | | |
| Miscellaneous | | 80 | |
| Education | | | |
| | 54,941 | 55,418 | (477) |
| Total Treasurer | | | |
| TOTALS FORWARDED | 277,622 | 270,161 | 7,461 |

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------|-----------|-----------|--|
| TOTALS BROUGHT FORWARD | \$277,622 | \$270,161 | \$7,461 |
| Township Hall | | | |
| Salaries | | 14,702 | |
| Wages | | 19,145 | |
| Social security | | 1,361 | |
| Hospitalization | | 28,157 | |
| Life insurance | | 18 | |
| Retirement | | 4,694 | |
| Supplies | | 2,925 | |
| Insurance | | 47,043 | |
| Public utilities | | 14,192 | |
| Repairs and maintenance | | 3,100 | |
| Miscellaneous | | 1,588 | |
| Total Township Hall | 125,483 | 136,925 | (11,442) |
| Cemetery | | | |
| Wages | | 258 | |
| Social security | | 28 | |
| Operating supplies | | 777 | |
| Contracted services | | 72 | |
| Public utilities | | 144 | |
| Repairs and maintenance | | 160 | |
| Miscellaneous | | 85 | |
| Total Cemetery | 2,450 | 1,524 | 926 |
| TOTAL GENERAL GOVERNMENT | 318,301 | 337,603 | (19,302) |
| PUBLIC SAFETY | | | |
| Police | | | |
| Contracted services | | | |
| Total Police | | | |
| TOTALS FORWARDED | 405,555 | 408,610 | (3,055) |

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|-----------|-----------|--|
| TOTALS BROUGHT FORWARD | \$405,555 | \$408,610 | (\$3,055) |
| Fire Department | | | |
| Wages | | 7,183 | |
| Social security | | 546 | |
| Life insurance | | 1,614 | |
| Supplies | | 1,910 | |
| Communications | | 4,177 | |
| Insurance and bonds | | 3,140 | |
| Public utilities | | 432 | |
| Repairs and maintenance | | 4,680 | |
| Miscellaneous | | 1,762 | |
| Education | | 394 | |
| Total Fire Department | 28,065 | 25,838 | 2,227 |
| Building Inspector | | | |
| Contracted services | | 6,671 | |
| Total Building Inspector | 1,000 | 6,671 | (5,671) |
| Zoning and Planning | | | |
| Wages | | 633 | |
| Social security | | 48 | |
| Miscellaneous | | 129 | |
| Total Zoning and Planning | 5,883 | 810 | 5,073 |
| TOTAL PUBLIC SAFETY | 34,948 | 33,319 | 1,629 |
| TOTALS FORWARDED | 440,503 | 441,929 | (1,426) |

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------|-----------|-----------|--|
| TOTALS BROUGHT FORWARD | \$440,503 | \$441,929 | (\$1,426) |
| PUBLIC WORKS | | | |
| Street Lights | | | |
| Public utilities | | 7,575 | |
| Repairs and maintenance | | 30,059 | |
| TOTAL PUBLIC WORKS | 110,500 | 37,634 | 72,866 |
| HEALTH AND WELFARE | | | |
| Solid Waste | | | |
| Wages/salaries | | | |
| Social security | | | |
| Supplies | | 1,712 | |
| Contracted services | | 141,262 | |
| Miscellaneous | | 108 | |
| TOTAL HEALTH AND WELFARE | 152,200 | 143,082 | 9,118 |
| CULTURE AND RECREATION | | | |
| Recreation | | | |
| Wages | | | |
| Social security | | | |
| Contracted services | | 604 | |
| Supplies | | 58 | |
| Utilities | | 171 | |
| Repairs & Maintenance | | 806 | |
| Total Recreation | 3,130 | 1,639 | 1,491 |
| TOTALS FORWARDED | 706,333 | 624,284 | 82,049 |

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|-----------|-----------|--|
| TOTALS BROUGHT FORWARD | \$706,333 | \$624,284 | \$82,049 |
| Library | | | |
| Contract | | 13,300 | |
| Total Library | 14,000 | 13,300 | 700 |
| TOTAL CULTURE AND RECREATION | 17,130 | 14,939 | 2,191 |
| CAPITAL OUTLAY | | | |
| Equipment | | | |
| Building Improvements | | 61,250 | |
| Fire Equipment | | | |
| Solid Waste | | | |
| TOTAL CAPITAL OUTLAY | 7,500 | 61,250 | (53,750) |
| TOTAL CONTINGENCIES | | | |
| TOTAL EXPENDITURES | 727,833 | 698,834 | 28,999 |
| OTHER FINANCING USES | | | |
| Transfers to Roads and Bridges Fund | | | |
| TOTAL OTHER FINANCING USES | | | |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | \$727,833 | \$698,834 | \$28,999 |

COMBINING BALANCE SHEET - WATER AND SEWER FUNDS
 CHARTER TOWNSHIP OF IRONWOOD
 December 31, 2004

| | Water Fund | Sewer Fund | Total |
|---------------------------------|---------------|---------------|-----------|
| ASSETS | | | |
| ASSETS | | | |
| Cash on hand and in bank | \$57,348 | | \$57,348 |
| Customer Accounts Receivable: | 17,479 | 9,004 | 26,483 |
| Other Receivables | | | |
| Due from Tax Fund | 4,279 | 60,755 | 65,034 |
| TOTAL CURRENT ASSETS | 79,106 | 69,759 | 148,865 |
| UTILITY PLANT ASSETS | 298,069 | 620,563 | 918,632 |
| Less Allowance for Depreciation | 144,844 | 124,818 | 269,662 |
| | 153,225 | 495,745 | 648,970 |
| OTHER ASSETS | | | |
| Assets held by GIWWAA | 4,531 | | 4,531 |
| TOTAL ASSETS | \$236,862 | \$565,504 | \$802,366 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$28,644 | \$648 | \$29,292 |
| Interest Payable | | | |
| Due General Fund | | 51,693 | 51,693 |
| Meter Deposits Payable | 4,079 | | 4,079 |
| Bank Notes Payable | | | 0 |
| Deferred Revenue | | 58,550 | 58,550 |
| TOTAL CURRENT LIABILITIES | 32,723 | 110,891 | 143,614 |
| FUND EQUITY | | | |
| FUND EQUITY | | | |
| RETAINED EARNINGS (DEFICIT) | 204,139 | 454,613 | 658,752 |
| TOTAL LIABILITIES AND EQUITY | \$236,862 | \$565,504 | \$802,366 |

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
WATER AND SEWER FUNDS
CHARTER TOWNSHIP OF IRONWOOD
Year Ended December 31, 2004

| | Water Fund | Sewer Fund | Total |
|---|---------------|---------------|-----------|
| Operating Revenues: | | | |
| Charges to Customers | \$139,912 | \$72,011 | \$211,923 |
| Other | | 3,721 | \$3,721 |
| | 139,912 | 75,732 | 215,644 |
| Operating Expenses: | | | |
| Salaries and Wages | 33,550 | 22,367 | 55,917 |
| Supplies | 1,011 | 2,358 | 3,369 |
| Contracted Services | 32,207 | 2,953 | 35,160 |
| Electricity | 4,811 | 3,208 | 8,019 |
| Water Purchases | 99,646 | | 99,646 |
| Sewage Treatment | | 79,353 | 79,353 |
| Repairs and Maintenance | 4,767 | 678 | 5,445 |
| Other | 1,553 | 1,288 | 2,841 |
| Provision for Depreciation | 12,295 | 8,684 | 20,979 |
| Travel | 189,840 | 120,889 | 310,729 |
| OPERATING INCOME (LOSS) | (49,928) | (45,157) | (95,085) |
| Other Income: | | | |
| Interest Earned | 1,788 | 921 | 2,709 |
| Township portion of net income (Loss) of sewer authority | | (52,501) | (52,501) |
| | (48,140) | (96,737) | (144,877) |
| Other Deduction - Debt Service | 9,414 | | 9,414 |
| NET INCOME (LOSS) | (57,554) | (96,737) | (154,291) |
| Retained Earnings beginning of the year | 261,693 | 551,350 | 813,043 |
| RETAINED EARNINGS (DEFICIT) AT END OF YEAR | \$204,139 | \$454,613 | \$658,752 |
| | ===== | ===== | ===== |

CHARTER TOWNSHIP OF IRONWOOD
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
December 31, 2004

| | Trust & Agency Fund | Tax Collection Fund | Total |
|-------------------------------------|---------------------------|---------------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$5,507 | \$225,580 | \$231,087 |
| Due from other funds | | | |
| TOTAL ASSETS | \$5,507 | \$225,580 | \$231,087 |
| | ===== | ===== | ===== |
| LIABILITIES | | | |
| Due to Other Funds | \$4,200 | \$199,083 | \$203,283 |
| Due to others | 1,307 | 26,497 | 27,804 |
| TOTAL LIABILITIES AND EQUITY | \$5,507 | \$225,580 | \$231,087 |
| | ===== | ===== | ===== |

COMPLIANCE SUPPLEMENTS

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

Supervisor and Members of the Board
Charter Township of Ironwood
Ironwood, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Ironwood, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Charter Township of Ironwood, Michigan's basic financial statements and have issued my report thereon dated June 20, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Charter Township of Ironwood's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted matters involving internal control over financial reporting that I have reported to management of the Charter Township of Ironwood in a separate letter dated June 20, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Ironwood's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants,

noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "J. J. Tomasi".

Certified Public Accountant
Bergland, Michigan
June 20, 2005